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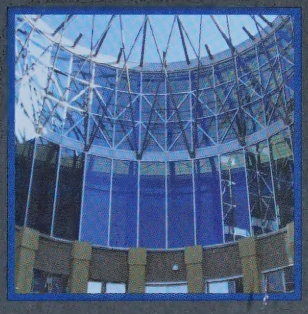
THE CHURCHILL CORPORATION



RISING ABOVE

ANNUAL REPORT 2006

the Churchill Corporation

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THE CHURCHILL CORPORATION IS BUILDING

A PROFITABLE AND DIVERSIFIED CONSTRUCTION AND INDUSTRIAL SERVICES COMPANY.

CHURCHILL PROVIDES COMMERCIAL AND INSTITUTIONAL BUILDING CONSTRUCTION, INDUSTRIAL CONSTRUCTION, INDUSTRIAL INSULATION, INDUSTRIAL ELECTRICAL, AND MAINTENANCE AND RELATED SERVICES THROUGHOUT WESTERN CANADA THROUGH ITS OPERATING SUBSIDIARIES: STUART OLSON CONSTRUCTION LTD., TRITON CONSTRUCTION INC., INSULATION HOLDINGS INC., AND LAIRD ELECTRIC INC.

FIVE YEAR SUMMARY

The following selected unaudited financial data has been derived from Churchill's Consolidated Financial Statements, which have been audited by Deloitte & Touche LLP, Chartered Accountants. The information set forth below should be read in conjunction with the Management's Discussion & Analysis and Consolidated Financial Statements and Notes sections of this Annual Report.

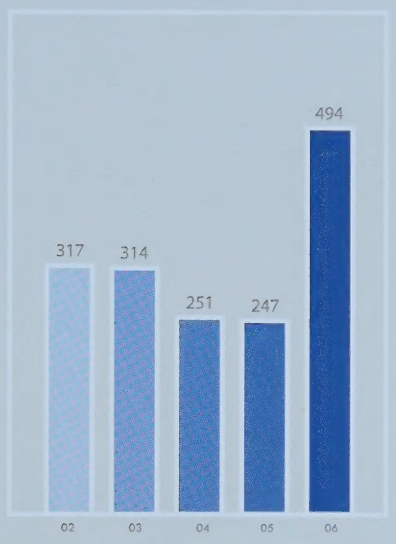
Years ended December 31 ($ thousands, except share, per share data and percentages)	2006	2005	2004	2003	2002
INCOME STATEMENT DATA					
Contract Revenue	$ 531,290	$ 479,820	$ 334,618	$ 319,398	$ 311,794
Contract Income	51,161	39,805	17,998	21,304	21,736
Contract Income (%)	9.6%	8.3%	5.4%	6.7%	7.0%
Earnings (Loss) Before Interest, Tax Depreciation and Amortization ("EBITDA")	16,303	9,178	(5,885)	(811)	2,786
Interest Expense	945	991	523	557	248
Depreciation and Amortization Expense	2,666	2,765	3,193	3,226	1,992
Earnings Before Income Taxes	12,692	5,422	(9,601)	(4,594)	546
Net Earnings	8,140	3,794	(6,169)	(3,657)	982
BALANCE SHEET DATA					
Working Capital *	$ 27,368	$ 25,117	$ 3,027	$ 17,556	$ 21,175
Shareholders' Equity	47,689	40,219	24,866	30,481	31,681
Total Debt	23,161	18,218	11,207	7,499	362
Non-Construction Related Assets	-	-	103	241	1,781
PER COMMON SHARE DATA					
Net Earnings (Loss) per Share					
Basic	$ 0.46	$ 0.24	$ (0.51)	$ (0.31)	$ 0.09
Fully Diluted	0.45	0.24	(0.51)	(0.31)	0.09
Book Value per Share	2.70	2.25	2.03	2.57	2.92
OTHER DATA					
Return on Average Shareholders' Equity ("ROE")	19%	12%	(22%)	(12%)	3%
Work-in-Hand	$ 493,860	$ 247,238	$ 251,463	$ 313,712	$ 317,266
COMMON SHARE INFORMATION					
Weighted Average Shares Outstanding	17,746,020	15,739,334	12,099,776	11,665,985	10,773,696
Shares Outstanding at Year End:					
Basic	17,667,491	17,895,686	12,238,352	11,863,652	10,864,040
Fully Diluted	18,239,158	18,500,686	12,802,686	12,909,986	11,941,707
Shares Traded	4,452,191	2,632,200	2,726,344	2,018,816	4,971,289
Share Price:					
High	$ 6.35	$ 3.50	$ 3.08	$ 3.00	$ 4.91
Low	3.00	1.86	2.25	1.90	1.79
Close	6.00	3.15	2.45	2.35	2.85

* Working Capital is defined as current assets less current liabilities excluding that portion of a demand term loan entered into on September 7, 2005 which is scheduled to be repaid beyond one year

GROWTH OF 11% IN 2006
CAGR[1] OF 14% OVER 4 YEARS

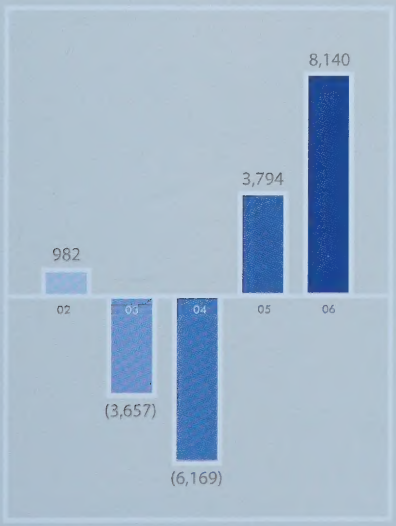
REVENUE ($ MILLIONS)

GROWTH OF 100% IN 2006



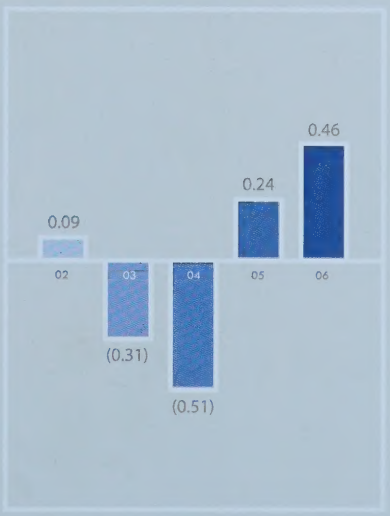
WORK-IN-HAND ($ MILLIONS)

GROWTH OF 115% IN 2006
CAGR OF 70% OVER 4 YEARS



NET EARNINGS (LOSS) ($ THOUSANDS)

GROWTH OF 92% IN 2006
CAGR OF 50% OVER 4 YEARS



NET EARNINGS (LOSS) PER COMMON SHARE
($ BASIC)

(1) CAGR - Compound Annual Growth Rate represents the smoothed annualized growth rate over a specified period of time

REPORT TO SHAREHOLDERS

2006 was an excellent year for Churchill. We continued to build on the positive gains made in 2005 and were once again able to grow revenues, margins and profitability. Our solid financial performance was a function of strong industrial markets in the Fort McMurrary oil sands region and our leadership in providing value added construction services in our building construction segment.

The start of construction on many oil sands and related projects in Alberta has ignited a construction boom. Independent forecasts predict this large capital spending to continue for several years and thus the outlook for our business is very positive. We see considerable opportunities for our industrial companies in the oil sands construction and maintenance markets. The strength of western Canada's economy, job creation and migration has spurred additional capital construction projects in the commercial, light industrial and public infrastructure sectors. Stuart Olson remains well positioned to capture a significant share of these types of construction projects.

CHURCHILL WAS ABLE TO SURPASS ITS 2005 RESULTS, REPORTING RECORD FINANCIAL RESULTS, INCLUDING AN INCREASE IN REVENUE OF 11% TO $531.3 MILLION.

FINANCIAL HIGHLIGHTS

Churchill was able to surpass its 2005 results, reporting record financial performance that included:

- Increasing revenue 11% to $531.3 million;
- Growing net earnings 115% to $8.1 million or $0.46 per share; and
- Improving shareholders equity 19% to $47.7 million

This was the highest level of revenue in corporate history and contributed to record net earnings. The most significant increases were in our electrical contracting and building construction segments where revenue growth of $30.3 million and $63.7 million were recorded on a year-over-year basis. As a result of volume restrictions implemented by management the industrial general contracting segment experienced a reduction in revenue of $48.3 million.

OPERATIONAL HIGHLIGHTS

During 2006, there were several changes to Churchill's senior management. George Schneider retired after a 23 year career with Laird Electric. Blair Bannerholt, the Chief Operations Officer at Laird was selected as Mr. Schneider's replacement. Mr. Schneider maintains his association with the company as a member of Churchill's Board of Directors. In August, Kelly Smith became President and Chief Operating Officer of Triton Construction Inc. Mr. Smith's track record of success and experience in leading a fabrication and service related organization focused on the oil and gas sector were a welcome addition to our management team. Prior to year end, the Corporation announced the resignation of its President and Chief Executive Officer, Norm Rokosh. Peter Adams, Chairman of the Corporation has accepted the role of interim Chief Executive Officer while the Corporation undertakes a search to find a suitable replacement.

Stuart Olson had a great year. Revenue growth from northern Alberta combined with strong earnings from all branches contributed to overall success. In addition, an abundance of project opportunities across all regions lead to increased margins and profitability. Work-in-hand increased significantly at all branches.

Laird had an outstanding 2006. The company was successful in diversifying its client base in the year, which made a significant contribution to revenue growth. As a result of increased revenue with its key clients in the Fort McMurray region, the company was able to exceed its revenue target for the year. Earnings before tax at Laird also improved as the company was able to reduce its indirect and other costs by 11.5% on a year over year basis.

Record revenues in the Fuller Austin Saskatchewan and Northern Industrial Insulation business units, combined with very good performance from the other business units, enabled the insulation companies to deliver another record year of revenues and earnings before tax. Fuller Austin Alberta revenues were favourably impacted by the completion of a large upgrader project. In addition to increasing revenue, the insulation companies were also successful in growing their contract income margins during 2006.

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STRATEGIC GROWTH OPPORTUNITIES

Our ability to grow will be driven by:

- Rigorously focusing on our core businesses and expertise
- Organic expansion of our labour force
- The addition of complementary services
- Focused geographic expansion where appropriate

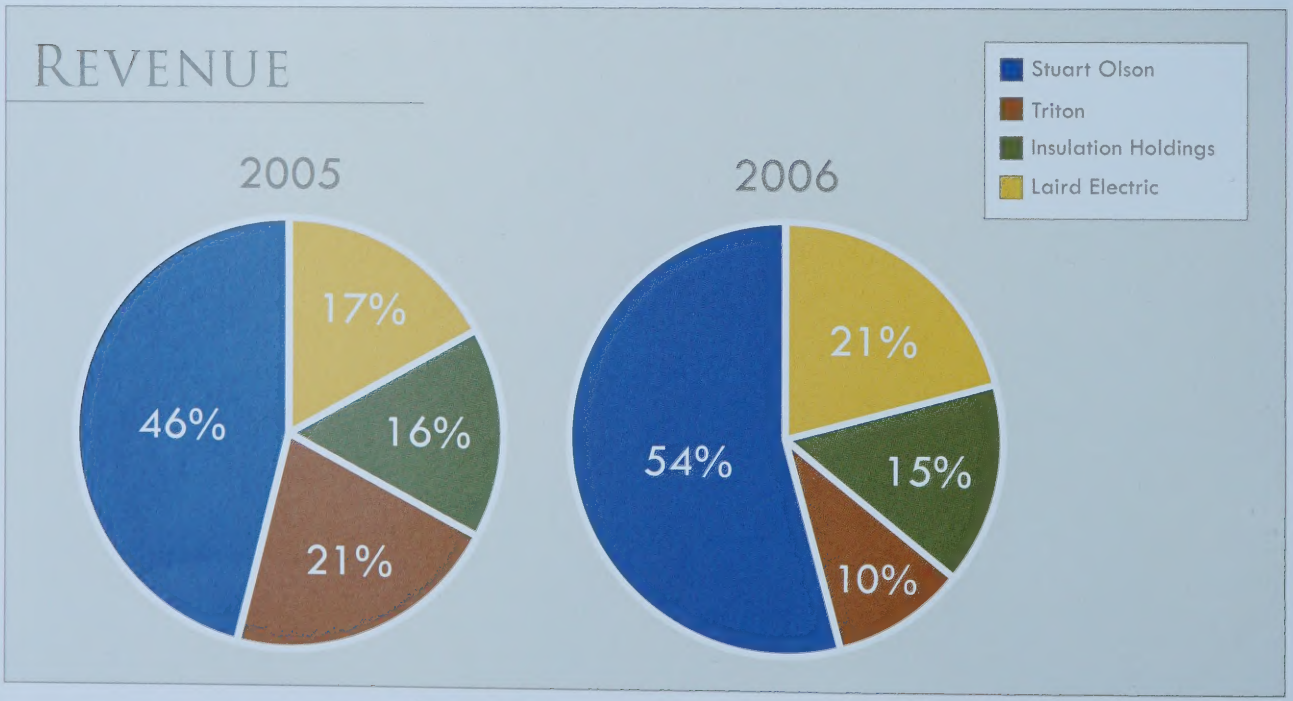
Our strategy to maximize shareholder value is based on:

- Emphasizing value added construction and other partnering methods of project delivery
- Maintaining the focus of our industrial companies on the oil sands construction market
- Managing resources within our heavy-industrial general contracting segment more effectively
- Growing margins in segments and markets where possible
- Ensuring an adequate supply of working capital availability via the debt and equity markets
- Recruiting, retaining and training our valued personnel

CHALLENGES

We continue to be challenged by the pressures of the buoyant economies in which we operate. Management of human capital resources continues to be our most significant business challenge. The dramatic increase in construction activity in western Canada has created a shortage of skilled trade labour and project management personnel for all companies. Churchill's operating companies mitigate this issue through competitive remuneration, enhanced in-house training programs as well as expanded recruiting, both within Canada and internationally.

The tremendous growth in revenue and backlog at Stuart Olson requires that the company continue to be able to successfully recruit candidates for all of its offices to satisfy the anticipated volume of work in 2007 and beyond. Significant efforts are being made to attract experienced personnel who will fit in with the culture at Stuart Olson, as well as to train, challenge and retain current staff.



With the strong growth in revenue, Stuart Olson's operations department is focused on the management of site staff to ensure the efficient and effective delivery of its work-in-hand.

Our industrial companies operate in highly competitive, dynamic and evolving industries. Our companies compete at times against organizations that have greater financial, personnel and facilities resources. This competition is likely to intensify as current competitors expand their product offerings and as new competitors enter the market. Management actively monitors market developments to ensure that strategies are put in place to establish profitable, long-term client relationships.

THE INFRASTRUCTURE MARKET FOR OUR BUILDING CONSTRUCTION SERVICES REMAINS VIBRANT.

Triton's financial results declined during 2006, as fabrication plant through-put was intentionally limited to a level below capacity until systems and process improvements were implemented. This reduced operating level at the fabrication plant, together with self-imposed size restrictions on construction projects and operating losses on several projects during the year, resulted in an overall net loss at Triton. Management has spent a considerable amount of time and resources identifying issues and implementing solutions. The fourth quarter of 2006 marked a leveling off of the decline in performance and our expectations are that Triton will grow its backlog, increase its revenue base and move towards profitability in the second half of 2007.

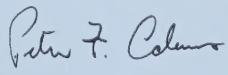
OUTLOOK

Despite the significant volatility in oil and natural gas prices experienced in 2006, all indications are that, capital spending on oil sands projects will remain a growth hot spot. Spending on bitumen production and upgrading projects is forecast to total a record $12.5 billion in 2007, up from $11 billion in 2006. Oilsands inventories now in production or being developed by projects in the advanced stages of construction are 8.6 billion barrels. This total is still only five percent of the 174 billion barrels rated as available using current technology. The Alberta market is steady with the construction and expansion of petrochemical plants, SAGD facilities, oil sands mines, upgraders and gas plants.

The infrastructure market for our building construction services remains vibrant in Alberta and British Columbia. Stuart Olson has captured significant projects such as the Peter Lougheed Hospital expansion in Calgary, the C.A. Knight Recreational Center in Fort McMurray and the NAIT Centre for Apprenticeship in Edmonton. The British Columbia branch successfully secured new projects with University of British Columbia Okanagan, Vancouver Community College and The University of Victoria. The company continues to target high quality prospects within its geographic region.

We are proud of our achievements, which are a credit to our employees, trade contractors, management and directors. We wish to thank each member of our team for their individual contribution to our success and to all Churchill customers and shareholders for their continued confidence and support.

On behalf of the Board of Directors,



Peter F. Adams
Chairman of the Board and Interim Chief Executive Officer

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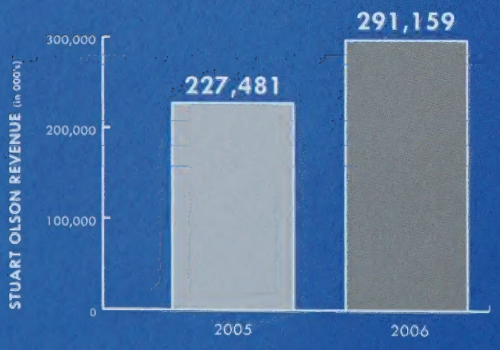
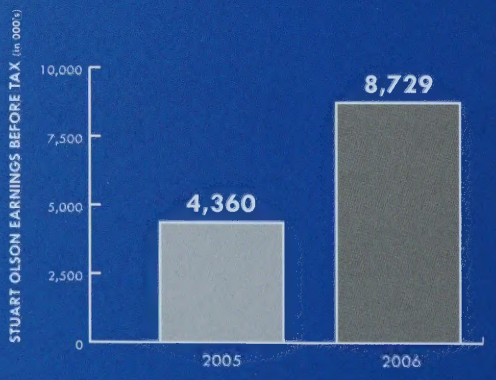
Stuart Olson Construction Ltd.





HIGHLIGHTS

- Record revenue growth from all offices
- Exceptional growth in backlog
- Record earnings before taxes
- Strong market demand to build new and refurbish existing infrastructure

Stuart Olson has been in business since 1939 and is recognized as one of the premier building contractors in western Canada. Major offices are in Calgary, Edmonton and Vancouver. From these bases, Stuart Olson executes projects throughout western Canada ranging in size from one million to more than $250 million.

Stuart Olson is a leader in delivering value added construction services, producing successful results and enthusiastically satisfied clients. The Stuart Olson team brings expertise in pre-construction services, cost planning, value engineering, innovation and teamwork to each project. This enhances the value to the client by providing increased cost and schedule certainty along with a single source of accountability. Stuart Olson has an outstanding record of delivering projects on time and on budget. The company has particular expertise in the construction management of infrastructure projects in the recreational, healthcare, and educational sectors.

Stuart Olson's key markets in Alberta and British Columbia continue to be buoyant as economic and population growth in these provinces leads the country. The major spending which is occurring on large oil sands and related projects in Alberta is generating a ripple effect throughout the economy. Private sector business confidence is high and significant investments are being made in commercial and light industrial buildings for office, food processing and distribution centers.

Backlog at year end was $422 million – a 206% increase over year end 2005.

Stuart Olson's focused and results oriented approach has allowed the company to achieve higher margins, resulting in record profitability. Expectations are for a continuation of these types of results for the next several years.

STUART OLSON'S FOCUSED AND RESULTS ORIENTED APPROACH HAS ALLOWED THE COMPANY TO ACHIEVE HIGHER MARGINS, RESULTING IN RECORD PROFITABILITY.

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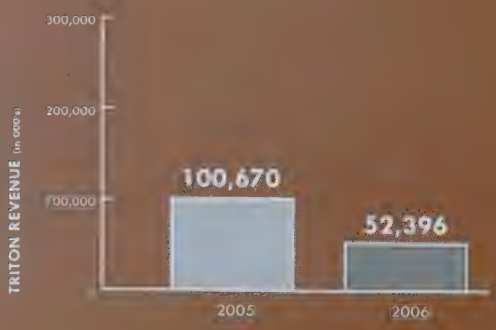
TRITON CONSTRUCTION INC.



HIGHLIGHTS

- Key operational and financial executives secured in 2006
- New strategic clients secured
- Market for boiler repairs and shutdown work remains strong, heading into 2007
- Significant structural project awarded to fabrication unit in 2006 will continue into Q2 2007
- Resource and process improvements instituted in fabrication unit

Triton Projects is based in Edmonton, with offices in Fort McMurray, Bonnyville and Lamont, Alberta and is one of the largest open-shop mechanical contractors in the region. Triton provides heavy-industrial general contracting, fabrication and maintenance services to resource and industrial clients. In addition to new construction and maintenance, Triton has significant experience in the dismantling and relocation of existing facilities, well-site abandonment and restoration. Triton's clients are in the oil and gas, petrochemical, power generation, mining and forest products sectors.

Churchill's modular fabrication facility in Lamont is utilized by Triton for the fabrication of process units and modules that are then transported and assembled at sites in northern Alberta. This is a common methodology for the construction of new oil sands projects. The Lamont location is advantageous due to its proximity to planned upgrader projects. The new oil sands projects that are underway or planned are providing Triton with excellent opportunities for the construction of capital projects. As well, Triton has a smaller fabrication facility in Bonnyville, which primarily serves maintenance work in that region.

Catalysts for Triton's turnaround in 2007 will be:

- Work-in-hand growth;
- Improving systems and processes;
- Improved financial management and reporting;
- Ensuring positive customer experiences; and
- Reduction and elimination of operating losses.

With a new General Manager in place since the end of the fourth quarter of 2006, the Lamont facility has begun to show improvement. However, as a result of pricing contained within pre-existing contracts, the reduced level of work-in hand and restructuring charges it will be several quarters before the operational turnaround in the facility is reflected financially. The market remains very active and we are confident that with the right people in place, increased margins and more efficient use of resources; Triton can return to profitability.

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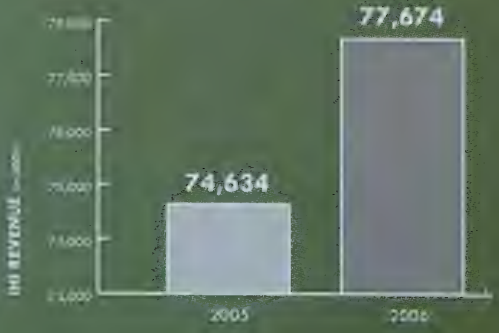
Insulation Holdings Inc.



HIGHLIGHTS

- Record revenue of $77.7 million
- Excellent performance on major Fort McMurray oil sands project and Saskatchewan ethanol project
- Record earnings before taxes
- Maintenance revenue exceeded 10% of total business volume

Insulation Holdings Inc. ("IHI") is a management, control, payroll and administration company that services all the insulation business units.

Fuller Austin Insulation Inc. is one of the largest union insulation contractors in Canada. The company has offices in Edmonton, Fort McMurray, Regina, Winnipeg and Thunder Bay (operated as Lakehead Insulation Inc.).

Northern Industrial Insulation is a non-union management contractor and operates within the province of Alberta, with operations in Edmonton, Bonnyville and Fort McMurray.

Fuller Austin and Northern Industrial serve clients in oil and gas, petrochemical, utilities, forest products, power and mining sectors. These independent operations enable the companies to participate in all sectors of the market. Fuller Austin and Northern Industrial provide an integrated range of complementary services including: insulation, siding, fireproofing, sheet metal, fire stopping, asbestos abatement and plant maintenance.

During the year Fuller Austin Alberta completed an upgrader project at Syncrude and Fuller Austin Saskatchewan completed work on Husky's Ethanol Project, located just outside of Lloydminster. These two projects made significant contributions to IHI's revenues.

There was an abundance of work available during 2006 and Northern Industrial was able to successfully secure a number of contracts. In our non-union operations field manpower is the greatest limitation to increasing our workload. To address this restriction in capacity, the company has now secured the required permits to bring in foreign workers as necessary to meet its labour needs.

While not a big part of our business, our forestry industry customers continue to undergo consolidation, struggling with high costs and a tight paper market, which is leading to some plant closures. This will impact revenues and profits generated from our Thunder Bay operations. Management intends to refocus the operations of this branch during 2007.

The record revenues generated by Fuller Austin's Saskatchewan branch in 2006 are not expected to recur in 2007. However, 2007 performance is expected to be solid driven by mining and ethanol operations in Saskatchewan and Manitoba.

2006 earnings growth resulted from strong margins in maintenance activities and select projects undertaken during the year. The expectation is for 2007 earnings to be reduced by increased indirect and administrative costs associated with increased personnel and wages, and implementation of new computer systems.

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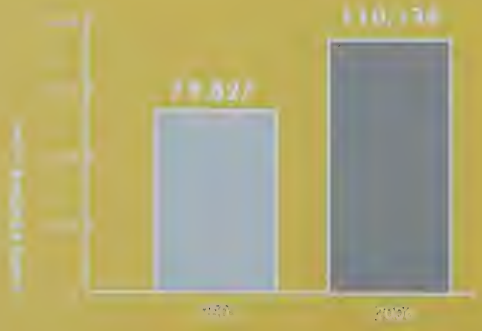
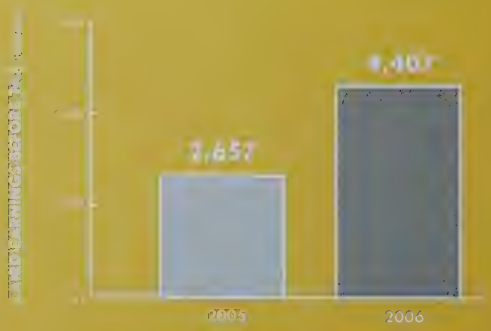
LAIRD ELECTRIC INC.





HIGHLIGHTS

- Record revenue of $110.1 million
- Diversified client base
- Significant increase in earnings before taxes
- Maintenance revenue of $31.4 million

Laird Electric provides electrical, instrumentation and power-line construction and maintenance services to resource and industrial clients. The company is one of the largest electrical contractors working in the Fort McMurray oil sands sector and is expanding into the Edmonton region.

In 2006 Laird was able to increase profitability by controlling costs while increasing revenue, which allowed it to generate record earnings before tax. Laird's success is a direct result of its strategy to cultivate and maintain a diverse client base. Among the key clients Laird provided services to in 2006 were Suncor Energy Inc., Nexen Inc., Albian Sands Energy and TransAlta Utilities. In addition, the Edmonton branch is starting to demonstrate increased levels of activity, related to module work destined for various plant expansions in the Edmonton and Fort McMurray areas.

During 2006, Laird undertook an overhaul of its IT infrastructure with the implementation of a new enterprise resource planning system. This investment in systems and processes was required to help Laird manage the increased volume of work, which has seen it grow from $20 million in revenues to $100 million over the past couple of years. In addition, Laird continues to streamline its business processes accordingly. The resulting benefits of standardization, lower maintenance, and greater reporting capabilities to clients are only starting to be realized.

The Fort McMurray market continued to provide challenges in attracting and retaining staff. To address staff turnover in the finance department, Laird in December 2006 relocated a portion of its off-site finance personnel to Edmonton to enable it to draw from a greater pool of qualified personnel and foster the development of longer-term employees.

Recruitment and retention of craft labour is not currently an issue in Fort McMurray. Labour from the union hall is readily available as electrical work on many projects has been delayed in the engineering or the industrial construction phase. The company's future growth will be predicated on attracting and retaining key personnel in areas such as project management.

Laird enters 2007 with a significant backlog of work and the company is focused on meeting client needs for professional and efficient industrial electrical contracting services. This focus should help Laird to deliver solid revenue and earnings well into the future.

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of The Churchill Corporation (the "Corporation"), dated March 14, 2007, should be read in conjunction with the December 31, 2006 Audited Consolidated Financial Statements and related notes thereto. Additional information on Churchill is available through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and includes the Corporation's Annual Information Form and other required securities filings.

Throughout this MD&A, certain measures are used, that are not recognized measures under Canadian generally accepted accounting principles ("GAAP"). The measures used are "contract income margin percentage", "work-in-hand", "working capital", "EBITDA", "book value per share" and "ROE". Please review the discussion of these measures in the "Terminology" section of this MD&A.

The Churchill Corporation ("Churchill" or the "Corporation") constructs buildings and provides industrial construction and maintenance services. During 2006, the Corporation operated through five business segments –

- **Buildings** (Stuart Olson) – constructs commercial, institutional and light-industrial buildings
- **Industrial General Contracting** (Triton) – provides heavy-industrial general contracting, fabrication and maintenance services
- **Industrial Insulation Contracting** (Fuller Austin, Northern Industrial) – provides industrial insulation, siding application, plant maintenance and related services
- **Industrial Electrical Contracting** (Laird) – provides industrial electrical, instrumentation and power-line construction and maintenance services
- **Corporate and Other** – includes corporate costs not allocated directly to another business segment as well as any miscellaneous investments

The Corporation provides strategic direction, operating advice, financing and infrastructure services to each of its business segments. Churchill's senior management includes Peter Adams, Interim Chief Executive Officer; Daryl Sands, Vice President Finance and Chief Financial Officer; Allen Stowkowy, President, Stuart Olson Construction; Ronald Martineau, President, Insulation Holdings; Kelly Smith, President, Triton Construction; and Blair Bannerholt, President, Laird Electric. Each business segment has its own President and senior management team, and is designed to be self-supporting.

Churchill's industrial operating companies continue to be focused towards oil sands construction activity in the Fort McMurray and Cold Lake areas of Alberta. A record $11.0 billion was spent in 2006 on bitumen production and upgrading projects. Oilsands inventories related to completed projects and projects in advanced construction stages are estimated at 8.6 billion barrels. This equates to only 5% of the 174 billion barrels rated as available using using current technology.

In Stuart Olson's markets of Alberta and British Columbia building permit activity was among the strongest in Canada. Several economic factors were consistent with a fertile environment for the non-residential construction sector, including growth in consumer spending and declining vacancy rates for office buildings. Trends in vacancy rates for both light industrial and office real estate are generally accurate indicators of future building activity. Given declining vacancy rates in both Alberta and British Columbia the demand for new buildings should remain strong throughout 2007, rooted in solid corporate balance sheets and earnings. As well, the governments of both provinces have committed to major infrastructure funding for healthcare, education and recreational facilities. In addition, construction activity in British Columbia is increasing in response to Vancouver and Whistler's preparations for the 2010 Winter Olympics.

The Corporation posted record revenue and net earnings for the year ended December 31, 2006. Record construction activity in Western Canada resulted in increased activity levels for almost all of our operating companies. These strong market conditions generated opportunities for greater revenue at higher margins. In addition, systems improvements and process efficiencies translated into increased operating margins.

In order to understand more clearly the operating results for the Corporation, the discussion within this Management's Discussion and Analysis will be focused at the business segment level.

QUARTERLY FINANCIAL INFORMATION

The following table sets forth selected quarterly information of the company for the last two years:

	2006				2005			
($ millions, except per share data and percentages)	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Contract Revenue	$ 152.4	$ 145.5	$ 121.6	$ 111.8	$ 138.8	$ 120.6	$ 118.8	$ 101.6
Contract Income	16.7	13.4	11.4	9.7	12.4	9.7	10.4	7.3
Contract Income %	11.0 %	9.2 %	9.4 %	8.7 %	8.9 %	8.0 %	8.8 %	7.1 %
Net Earnings (Loss)	3.7	3.0	0.8	0.6	1.6	1.3	1.1	(0.2)
Basic ($ per share)	0.21	0.17	0.05	0.03	0.09	0.07	0.07	(0.02)
Fully diluted ($ per share)	0.21	0.16	0.04	0.03	0.09	0.07	0.07	(0.02)
Work-in-Hand	493.9	469.6	353.7	313.1	247.2	307.8	294.8	299.8
Working Capital	27.4	24.1	21.9	21.3	25.1	23.4	14.9	3.4
Shareholders' Equity	47.7	43.7	40.7	40.8	40.2	37.9	36.5	24.7
Book Value ($ per share)	2.70	2.48	2.31	2.28	2.25	2.15	2.07	2.02

Analysis of operating results for each of the first three quarters of 2006 was included in the Management Discussion and Analysis incorporated in the Interim Reports to Shareholders for each quarter. Comments regarding the quarter over quarter changes are briefly explained below:

(1) Quarterly revenue in 2006 exceeded the comparable quarters of 2005, reflecting generally improved market conditions.

(2) The increase in contract income in 2006 relative to 2005 is a result of the higher revenue, increasing margins, insurance rebates received by all the operating companies and recoveries on provisions for losses taken on completed projects. The increase in net earnings was reduced by additional administration costs related to personnel, systems improvements and process re-engineering.

(3) The increase in the Corporation's work-in-hand during 2006 is a reflection of the strengthening in its building construction markets.

(4) The increase in working capital and shareholders equity in the second quarter of 2005 was primarily due to the proceeds from the issuance of new share capital through the private placement of $10.6 million for 5.3 million of new Common Shares.

(5) The reduction in working capital in the first quarter of 2006 was the result of $4.0 million of cash being classified as a long-term asset due to contractual restrictions in use.

Due to the impact of share issuances throughout the periods on the weighted average number of shares outstanding, the aggregate total of the quarterly earnings (loss) per share may not equal the total for the year. The aggregate total of the quarterly earnings (loss) per share, compared with the amounts for the full year are as follows:

	2006		2005	
Earnings Per share:	Quarterly Total	Annual Total	Quarterly Total	Annual Total
Basic	$ 0.46	$ 0.46	$ 0.21	$ 0.24
Fully Diluted	$ 0.44	$ 0.45	$ 0.21	$ 0.24

FOURTH QUARTER RESULTS

For the fourth quarter of 2006, consolidated contract revenue was $152.4 million, which was $13.6 million or 9.8% higher than the same period in 2005. This higher level of revenue on a year-over-year basis was a result of continued strength in our building construction and industrial electrical contracting businesses.

Contract income increased $4.3 million in the final three months of the year, increasing from $12.4 million in 2005 to $16.7 million in 2006 as stronger margins in our building construction and insulation contracting segments improved overall performance.

Indirect and administrative expenses amounted to $10.3 million in the quarter, compared to $9.8 million in the comparable period of 2005.

Earnings before interest, taxes, depreciation and amortization in the quarter were $6.7 million, compared to $3.1 million in the fourth quarter of 2005. All of the operating companies were profitable in the fourth quarter of 2006 with the exception of Triton. The Corporation's consolidated net earnings for the three months ended December 31, 2006 was $3.7 million compared to net earnings of $1.6 million in 2005.

Stuart Olson's revenue for the three months ended December 31, 2006 was $87.1 million, an increase of 44.9% compared to $60.1 million for the same period in 2005. Earnings before tax increased 104.5% to $4.5 million in the fourth quarter of 2006 from $2.2 million in the corresponding quarter of 2005. The increase in earnings before tax was primarily the result of higher revenue and improved contract margins.

Revenue at Triton for the fourth quarter of 2006 of $11.2 million was $20.1 million lower than the same quarter of 2005. Triton entered the fourth quarter of 2006 with a smaller backlog than in the comparable period of 2005; therefore revenues for the fourth quarter of 2006 were lower. Triton's loss before tax during the quarter was $1.1 million compared to a loss before tax of $1.4 million in 2005. The loss during the quarter primarily resulted from $0.8 million of provisions taken on several contracts.

Combined revenue from our insulation companies, Fuller Austin and Northern Industrial was $17.2 million or $11.2 million lower than the fourth quarter of 2005. The volume decrease was a result of reduced backlog entering the fourth quarter and delays in work schedules on some projects. Despite the reduction in volume, earnings before tax in the quarter improved by 12.5% to $1.8 million as compared to $1.6 million for the prior year period.

Laird substantially increased its quarterly revenue to $36.9 million from $19.5 million in the comparable period of 2005. The growth in fourth quarter revenue was favorably impacted by the acceleration of work schedules on some projects in the Fort McMurray oil sands region. Laird recorded earnings before tax of $1.7 million, an increase of 142.9% over earnings before tax of $0.7 million reported in 2005.

ANNUAL FINANCIAL INFORMATION

Set out below is selected annual financial information for each of the last three years.

($ millions, except per share amounts)	Years ended December 31 2006	2005	2004
Contract Revenue	$ 531.3	$ 479.8	$ 334.6
Net Earnings (Loss)	8.1	3.8	(6.2)
Net Earnings (Loss) per Common Share			
Basic ($ per share)	0.46	0.24	(0.51)
Fully Diluted ($ per share)	0.45	0.24	(0.51)
Total Assets	165.5	144.1	122.3
Total long-term financial liabilities	$ 3.7	$ 2.4	$ 2.8
Cash dividends declared per share	-	-	-

ANNUAL RESULTS

Consolidated contract revenues were $531.3 million in 2006, an increase of $51.5 million or 10.7% from consolidated contract revenues of $479.8 million for 2005. This $51.5 million increase in consolidated revenue was the result of a $63.7 million increase in Stuart Olson revenues and a $30.3 million increase in Laird revenues, partially offset by a decrease of $48.3 million in Triton revenues.

Contract income increased 28.6% from $39.8 million in 2005 to $51.2 million in 2006. This $11.4 million increase resulted from an increase in revenue and contract income margin percentage. Consolidated contract income percentage grew from 8.3% to 9.6%, largely attributable to strong market conditions.

Consolidated Indirect and Administrative expenses of $36.1 million were incurred during 2006 compared to $31.7 million in 2005. The increase of $4.4 million was partially attributable to increased project management and compensation expenses related to the increased activity levels and professional fees associated with systems improvements and process re-engineering.

Consolidated earnings before interest, taxes, depreciation and amortization increased $7.1 million, or 77.2% to $16.3 million during 2006, as compared to $9.2 million for the year ended December 31, 2005. Churchill achieved consolidated net earnings of $8.1 million or basic earnings per common share of $0.46 during 2006 as compared to $3.8 million of net earnings and basic earnings per common share of $0.24.

Work-in-hand at December 31, 2006 was $493.9 million or $246.7 million higher than the same time last year. On a segmented basis, there was an increase in the buildings segment of $283.9 million, partially offset by decreases in the electrical contracting segment of $15.0 million, industrial general contracting segment of $10.5 million and insulation contracting segments of $11.7 million. The decrease in work in hand in our industrial business is primarily related to delays in the timing of work packages being released to tender.

BUILDINGS

For the year ended December 31, 2006, Stuart Olson's revenues increased $63.7 million to $291.2 million, compared to $227.5 million in the prior year from higher levels of activity, particularly in the northern and southern Alberta offices. The increased revenues in northern Alberta were the result of major new projects for food distribution, educational and civic recreational clients. Also contributing to revenue growth was a major hospital project in southern Alberta and several new contracts with various educational institutions in the British Columbia branch.

Contract income in 2006 increased to $21.2 million from $14.9 million, an increase of $6.3 million. Contract income margin percentage increased to 7.3% in 2006 as compared to 6.6% in 2005. This is indicative of the strength of the company's markets and improved operating efficiency.

Earnings before tax from the buildings segment were $8.7 million in 2006, as compared to $4.4 million in 2005. The $4.3 million improvement in earnings was distributed among the various branch offices, as a result of management's increased focus on the bottom line in each region.

Stuart Olson finished the year with $422.0 million of work-in-hand, after entering the year with work-in-hand of $138.1 million at December 31, 2005. During 2006 the company secured a further $575.1 million of contracts, and executed and took into revenue $291.2 million. The company's backlog grew substantially in 2006 as a result of new contracts to build educational and healthcare infrastructure, commercial food distribution facilities and civic recreational facilities in Alberta and British Columbia.

INDUSTRIAL GENERAL CONTRACTING

During 2006 the Corporation continued with the implementation of its renewal strategy at Triton including the hiring of Kelly Smith as the new President and Chief Operating Officer. Additional senior management changes have been made at the finance, fabrication and construction management levels to support Kelly in implementing the turnaround plan.

Triton's revenue for the year ended December 31, 2006 was $52.4 million, declining 48.0% from $100.7 million for the year ended December 31, 2005. Contract income margin for 2006 was 11.5%, up from 6.9% during 2005. The margin increase was a result of the reversal in 2006 of $3.3 million of loss provisions booked in 2005. Excluding these recoveries, contract income margin for 2006 would have been 5.2%. Triton incurred a loss before tax of $2.4 million for the year ended 2006, compared to a loss before tax of $0.8 million for the year ended December 31, 2005. Earnings before tax were negatively impacted by the decrease in revenue as a result of volume and contract scope restrictions, in addition to losses recorded on several construction and fabrication contracts.

Triton entered the year with $23.7 million of work-in-hand. For the year ended December 31, 2006 the company secured a further $41.9 million of contracts, and executed $52.4 million of contractual work. As a result, the company had $13.2 million of work-in-hand to carry over into 2007. Management's turnaround strategy for Triton involves the recognition of the individual business units within Triton as independent, quality focused profit centers. Going forward each unit will have its own business development objectives and cost management responsibilities. Management expects that as the year progresses, the current level of work-in-hand should increase to reflect the new operating strategy.

INDUSTRIAL INSULATION CONTRACTING

Industrial Insulation Contracting operates under three business units – Fuller Austin Insulation, Northern Industrial Insulation and Lakehead Insulation – all providing insulation related contracting services for capital projects and maintenance work. Lakehead is subsidiary of Fuller Austin.

Revenue for the year ended December 31, 2006 increased to $77.7 million, compared to $74.6 million for the year ended December 31, 2005. Activity levels during 2006 benefited from the completion of an upgrader project and an ethanol facility for two key clients. Contract income increased 37.3% to $11.4 million up from $8.3 million for the comparable period. Fuller Austin's Saskatchewan operations generated improved margins in 2006, which contributed to an overall increase in the contract income margin percentage to 14.7%, versus 11.1% in 2005. The company expects contract income margins to be in the range of 15.5% to 16.5% during 2007. It is worth noting that the overall margin for 2005 and part of 2006 was reduced, by the inclusion of larger contracts at lower margins than in prior years.

Earnings before tax increased by 100% to $5.4 million for the year ended December 31, 2006, compared to earnings before tax of $2.7 million for 2005. The primary reason for the improved earnings was increased regional activity from Fuller Austin in Saskatchewan and Manitoba and increased activity by Northern Industrial, all occurring at higher margin levels.

Industrial Insulation Contracting began 2006 with work-in-hand of $26.8 million. For the year ended December 31, 2006, they secured a further $65.9 million of contracts, and executed $77.7 million, leaving a backlog of $15.0 million of work-in-hand at December 31, 2006.

INDUSTRIAL ELECTRICAL CONTRACTING

Laird generated record revenues and earnings in 2006. Company revenue increased by $30.3 million to $110.1 million, an increase of 38.0% over the $79.8 million reported for 2005. Contract income increased from $8.9 million in 2005 to $11.6 million in 2006, due to the higher volume of activity. Contract income margin percentage declined slightly to 10.5% as compared to 11.1% in 2005.

Laird achieved earnings before tax of $4.4 million for the year ended December 31, 2006 compared to earnings before tax of $2.7 million in 2005. The increase in earnings is a result of higher contract income, over and above the additional administrative expenses required to manage this increased level of activity.

Laird's recorded work-in-hand of $43.6 million at the end of 2006 is $15.1 million or 25.7% lower than the $58.7 million of work-in-hand at the conclusion of 2005. New contract awards of $95.0 million were secured in the current year, and $110.1 million of work was executed. The majority of the company's revenue and work-in-hand is related to oil sands projects in its core Fort McMurray market. The company has successfully diversified its customer base such that it is presently active on multiple oil sands sites for various clients.

CORPORATE AND OTHER

In 2006, the Corporate and Other segment incurred $3.5 million of indirect and administrative expenses, including net interest costs. These costs were unchanged from the prior year as the Corporation continues to make investments in computer systems and process re-engineering to meet the growing level of activity in its infrastructure and industrial companies.

CASH FLOW, FINANCING, CAPITAL REQUIREMENTS, LIQUIDITY

Cash and equivalents at December 31, 2006 totaled $50.4 million, which compares with $29.2 million at the end of 2005. Of the $50.4 million of cash and equivalents, $10.7 million was subject to deemed trust conditions under the British Columbia Lien Act, compared to $9.9 million for the previous year.

Cash provided from operating activities increased by $28.1 million as a result of $25.2 million of cash generated from operations in 2006, compared to $2.9 million of cash used in operations during 2005. This change reflects the improved operating results that occurred in 2006 and overall cash positive changes in the balances of the working capital accounts.

Investing activities resulted in a use of cash of $7.9 million during 2006 which compares with cash used of $1.8 million in 2005. The increase in cash used was due to the classification of $4.0 million as a long-term asset due to a contractual restriction in its use, and $3.9 million expended in 2006 compared to $2.6 million in the prior year for property, plant and equipment.

During the year, the Corporation increased its line of credit from $12.0 million to $21.0 million with advances bearing interest at the bank's prime rate plus 1%. At year end, the Company had drawn $12.0 million of this line of credit. Additionally, a leasing facility of $3.0 million was added to the agreement, to be used specifically for the lease of vehicles and equipment.

Cash generated from financing acrivities amounted to $4.0 million, compared to $22.2 million in 2005. Proceeds received under the line of credit amounted to $24.6 million while repayments totaled $20.4 million. $1.0 million was added to long-term debt during the year. As at December 31, 2006 long-term debt including the current portion amounted to $4.3 million, compared to $2.9 million at the end of 2005. The increase is due to increased use of finance contracts and leases to acquire vehicles and equipment by the Corporation. During 2006, the Corporation repaid $0.7 million of long-term debt and $0.7 million of the demand term loan. These payments were in accordance with the repayment schedules and the contractual obligations as described in previous quarters and the 2005 Annual Report. Stock options exercised by directors and officers of the Corporation contributed $0.2 million to the cash generated from financing.

As at December 31, 2006, Churchill had positive working capital of $27.4 million which was greater than the 2005 year-end working capital position of $25.1 million. Working capital is defined as current assets less current liabilities excluding that portion relating to any demand term loan which is scheduled to be repaid beyond one year.

CONTRACTUAL OBLIGATIONS

December 31, 2006 ($ millions)	Total	Current Year	2-3 years	4-5 years	After 5 years
Demand term loan [1]	$ 6.8	$ 0.8	$ 1.6	$ 1.6	$ 2.8
Mortgage payable	1.2	0.0	0.1	0.1	1.0
Finance contracts and capital lease obligations	3.2	0.9	1.4	0.9	0.0
	$ 11.2	$ 1.7	$ 3.1	$ 2.6	$ 3.8

[1] The above table represents scheduled repayments.

The demand term loan, mortgage payable, finance contracts and lease obligations are more fully described in Notes 11 and 12 of the Audited Consolidated Financial Statements.

Scheduled debt repayments for 2007 are $1.7 million. During 2007, the level of required replacement capital spending for Churchill is estimated to be approximately $3.3 million. To support expansion and growth opportunities, additional capital expenditures up to $5.0 million could be authorized. These requirements are expected to be met through a combination of operating and financing activities.

The Corporation remains a partner in two joint ventures, with a third having been wound down in the third quarter. In each instance the Corporation has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract.

Shareholders' equity was $47.7 million at December 31, 2006, as compared to $40.2 million at December 31, 2005. These values include $7.3 million of goodwill arising from the 2003 purchase of Laird Electric. Under the Laird purchase agreement, 311,528 Churchill shares with a stated value of $269 thousand were placed in escrow as a refundable deposit in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. At the conclusion of 2005, the Corporation determined that the cumulative financial performance objective was not met and this assessment was not disputed by the vendors. Settlement by the vendors occurred via a return of the shares of the Corporation. Share capital was reduced by $0.3 million for shares cancelled with respect to the Laird share transaction and offset by the exercise of stock options in the amount of $0.3 million. Contributed surplus increased $25 thousand during the year as a result of the accrual of stock-based compensation. Retained earnings increased from $19.0 million at December 31, 2005 to $26.4 million reflecting the net earnings of $8.1 million for the year reduced by $0.7 million charged to retained earnings as a result of the Laird share transaction.

During 2006, the Corporation granted a total of 50,000 stock options at an average price of $3.05 per option. As at December 31, 2006, the Corporation had outstanding 17,667,491 Common Shares and 571,667 options convertible into Common Shares (December 31, 2005 - 17,895,686 Common Shares and 605,000 options). There were 545,082 options available for grant at December 31, 2006.

The Corporation has an Employee Share Purchase Plan available to all full-time employees. At December 31, 2006 the Plan held 1,385,074 Churchill Common Shares for the employees. Under the Plan, shares are acquired in the open market.

SUPPLEMENTAL DISCLOSURES

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements in place at this time.

RELATED PARTY TRANSACTIONS

The Corporation incurred legal fees during the year ended December 31, 2006 with a law firm of which a director of the Corporation is also a partner. The fees were for services rendered in the ordinary course of business. The amount paid during the year was $214 thousand (2005 - $183 thousand). At December 31, 2006, $32 thousand was included in accounts payable.

The Corporation incurred fees of $3 thousand (2005 - $14 thousand) paid to a company under the control of a director of the Corporation.

The Corporation incurred facility costs of $120 thousand (2005 - $60 thousand) relating to rental of a building which is owned by a director of the Corporation.

During the year, the Corporation incurred rental costs of $21 thousand (2005 - $24 thousand) related to market rental payments for housing provided to a senior officer who maintained offices in both Calgary and Edmonton.

DISCLOSURE CONTROLS & PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer (the "CEO") and the Vice President Finance and Chief Financial Officer (the "CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. The CEO and CFO together are responsible for establishing and maintaining the Corporation's disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee which is composed of senior managers of the Corporation and at least one member of the Board of Directors.

During the year, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was carried out under the supervision of Churchill's management, including the CEO and CFO. Based on this evaluation the CEO and CFO have concluded that the Corporation's disclosure controls and procedures as defined in *Multilateral Instrument 52-109, Certification of Disclosure in Issuers Annual and Interim Filings* are effective as at December 31, 2006, to ensure that material information relating to the Corporation and its subsidiaries required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal controls appropriate to the nature and size of the business to provide reasonable assurance regarding the reliability of financial reporting for the Corporation.

Churchill's management, including the CEO and CFO, has evaluated the design of our internal control over financial reporting procedures. As the Corporation has been in a significant growth phase, management is continually monitoring and revising its control procedures and processes over the different areas of its business. Management has identified certain areas where it can enhance process controls. These enhancements will be implemented during the course of the next 12 months. The Corporation employs additional entity level controls to compensate for any deficiencies which may exist. As at the end of the period covered by this management discussion and analysis, management has concluded that the internal controls over financial reporting were appropriately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

RISKS AND UNCERTAINTIES

Churchill's operations are centered in, and primarily focused on, western Canada. The majority of construction in western Canada, particularly industrial construction, is either directly or indirectly connected to oil and gas. Oil and gas pricing and activity levels are directly impacted by worldwide events. The Corporation monitors this information to assist in managing various mid-term aspects of its business. Significant downward movement in oil or gas commodity prices could lead to project delays or cancellations, while significant upward movement could lead to clients seeking to accelerate their project schedule. Either movement could put pressure on the Corporation's organizational infrastructure in the short term.

The climate in western Canada can generate severe weather, which could slow down or delay construction for short periods of time, impacting costs and delivery schedules.

There is strong competition relating to all aspects of the construction industry. The Corporation competes with many other firms, of which some have greater financial and other resources.

Permitting, engineering and design in the preconstruction phase can lead to a project delay. These delays are generally third party generated and thus outside the Corporation's control. The major cost associated with these delays is personnel and associated overhead that is designated for the project and cannot be reallocated effectively to other work.

The operating companies occasionally participate in design-build projects whereby they assume the additional risk of design-related flaws or failures. This risk is reduced by utilizing external consultants for the design component as well as by the purchase of appropriate insurance protection. Design remediation work could result in additional contract costs that may not be reimbursed by the client.

The Corporation relies on third party suppliers and subcontractors. The loss of, or inability to maintain, any of these relationships, or the failure of such third parties to execute or effectively manage their own business plans and deliver on their contractual commitments can have a material adverse effect on the Corporation's business, operating results and financial condition.

Churchill's operating companies are often required to provide performance and labour and material payment bonds as assurance against contract completion. The agreement with the Corporation's surety company is renewed periodically. Should any revision to the agreement result in a reduction in bonding capacity or a refusal to increase our bonding capacity to meet current needs, this could limit growth and potentially adversely effect on-going operations. Alternatively, if there were a significant failure in the construction industry such that owners started demanding surety bonds for all contracts, Churchill's bonding capacity may be insufficient to meet its business needs.

Once a project has begun, the project management team monitors estimating, procurement, project execution, and contract terms. These risks are controllable by management. The Corporation assesses its project controls on an ongoing basis.

Periods of high construction activity can create shortages of labour and material. With the rapidly expanding market in Alberta, British Columbia and other jurisdictions, general shortages of tradesmen and management personnel are occurring and this condition is expected to continue for several years. Churchill's operating companies have attempted to mitigate the situation through competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. These shortages may cause limits on the growth of the Corporation's businesses and could potentially affect contract income margins. Also, labour and material shortages may lead to construction cost escalation which could decrease contract margins should clients not agree to absorb these additional costs. Any increase in the price of building and construction materials could have a material adverse effect on market demand and on the Corporation's growth and profitability.

In certain of the companies, the labour force is unionized, creating the possibility of labour disruptions if collective bargaining agreements cannot be negotiated as they come due. There are collective bargaining agreements expiring in 2007 for workers who are contracted by Laird Electric and Fuller Austin Insulation.

Triton incurred significant losses in 2004 as a result of start-up problems in the fabrication facility and the associated project execution. As a result, plant through-put was restricted in 2005 under a planned reduction program until systems and processes were sufficiently improved. The fabrication facility continued to operate below capacity and experience execution difficulties during 2006, resulting in further losses. Management has reviewed the operations at Triton and has implemented measures to align resources with work-in-hand, improve project execution, and increase operating margins with a view to improved financial performance at Triton. There can be no assurance that the actions taken by management of the Corporation will be successful.

Churchill's industrial operations generally require a higher level of working capital due to a larger manpower workforce on projects. During 2006, the Corporation's operating line was increased to $21.0 million and a leasing facility was added with a borrowing capacity of $3.0 million. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial market. Although the immediate needs are satisfied, future growth may be limited if additional working capital is required and not available. The Corporation continues to assess the adequacy of its working capital needs.

In the past Churchill has grown partly by acquisition. The success of any acquisition is dependent upon the integration of the acquired company into Churchill's operations. The ability to undertake future acquisitions is limited, in part, by the Corporation's ability to access financing.

OUTLOOK

Churchill's markets for new work remained strong throughout 2006. Alberta and British Columbia as forecast lead the country in economic growth, driven in part by the oil sands and heavy oil mega projects in Alberta and infrastructure spending prior to the 2010 Olympics in British Columbia. The carryover of infrastructure work is at a record level for the Corporation and the breadth of new contract opportunities for the buildings segment is high by all measures. Stuart Olson is remaining disciplined and focused on its core competencies, only seeking to secure the best possible projects available to it.

The Churchill Corporation enters 2007 with a greater overall backlog of work than at any time in its corporate history. Work-in-hand increased $246.7 million or 100% to $493.9 million as at December 31, 2006. Of the $493.9 million of backlog, $376.8 million is from projects already underway, reducing the risk of project cancellation or delay. An additional $36.2 million is expected to be generated from maintenance contracts, which clients generally do not defer. The remaining $80.9 million of the backlog relates to projects that had not commenced at December 31, 2006. In general, these projects have a higher degree of risk of being delayed or cancelled, although all are expected to commence on schedule.

The spin-off effects of migration, government investment, strong commodity prices and construction related to the 2010 Olympics has created a number of opportunities for Stuart Olson to capitalize on its strengths in commercial and public infrastructure development across western Canada. Stuart Olson is expected to generate increased revenue and profit in 2007 as several new and significant projects move into construction. Government investment in infrastructure and private sector spending on commercial and light industrial buildings continue to present further opportunities for growth into 2008.

The Corporation's industrial businesses are focused on the oil sands markets and related construction requirements. Although costs related to oil sands development are rising, the owners continue to take the long-term view that global oil demand is also rising, necessitating the development of long-term supplies located in Alberta. In addition, a number of proposed oil sands expansions and upgraders to be constructed in the Fort McMurray and Edmonton areas continue to clear the regulatory hurdles to initiating site construction. Churchill's industrial companies will be actively pursuing work on these sites.

With the expiry of collective bargaining agreements occurring in the second quarter of 2007, the potential for labour disruption exists, but management is of the opinion that any potential disruption will be averted. The Corporation continues to proactively mitigate labour availability issues in its non-union operations by focusing its recruitment efforts outside of western Canada. In competitive markets such as these, it is also important to retain those existing employees with specialized knowledge and skills critical to project success.

Triton enters 2007 with its smallest backlog in recent years at $13.2 million. The industrial market remains the strongest in the company's history with significant demand for fabrication services, so further declines in revenue are not expected. The challenge faced by Triton is to secure new construction and fabrication contracts on more favourable terms and to validate that its new project execution processes will result in increased profitability.

The Industrial Insulation Contracting companies are expected to have solid years in 2007. The companies enter the year with $15.0 million of backlog. They successfully completed a major contract for an oil sands client in the Fort McMurray region during 2006 and their key objective for 2007 is to replace this volume of work. The demand outlook for their services is positive, particularly in Alberta which is their core market, while their Saskatchewan and Northern Ontario markets are expected to be weaker than in 2006.

Laird Electric enters 2007 with a backlog of $43.6 million as compared to $58.7 million entering 2006. The company achieved a record level of revenue in 2006 and will be challenged to replace revenue associated with a major oil sands project completed in 2006. However with the significant backlog of work, a more diversified client base than in previous years and many opportunities in its core Fort McMurray market, Laird is expected to continue with its strong performance in 2007.

Churchill is achieving steady operational improvements. To facilitate and support the Corporation's growth, systems and process changes will continue to be implemented during 2007, primarily at our industrial companies. Churchill's focus is to maximize shareholder value by focusing on profitability. The Corporation performed at a high level in 2006 more than doubling net earnings. With a significant backlog of construction entering 2007 and the construction market in western Canada operating at a record level, it is expected that Churchill will experience another year of strong performance.

CHANGES IN ACCOUNTING POLICIES

The Corporation adopted, effective January 1, 2006, the new CICA Handbook policies related to non-monetary transactions and implicit variable interests – disclosure and presentation.

Non-Monetary Transactions – Effective January 1, 2006, the Corporation adopted the amended recommendations of CICA Handbook Section 3831 *Non-monetary transactions*, (formerly Section 3830 of the same title) effective for annual or interim periods beginning on or after January 1, 2006. Section 3831 requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of Section 3831.

Implicit Variable Interests – Effective January 1, 2006, the Corporation adopted the Emerging Issues Committee's Abstract 157 *Implicit Variable Interests under AcG - 15 (EIC 157)*. The EIC requires that the Corporation address whether any implicit or potential variable interests exists when specific conditions exist and account for them in accordance with the CICA Handbook Accounting Guideline 15 (AcG – 15) – *Consolidation of Variable Interest Entities*. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of EIC 157.

Stock-based compensation for employees eligible to retire before the vesting date – Effective December 31, 2006, the Corporation adopted the Emerging Issues Committee's Abstract 162 *Stock-based compensation for employees eligible to retire before the vesting date* (EIC 162). The EIC establishes guidance where an entity has a stock-based compensation plan that contains provisions that allow an employee to continue vesting in an award in accordance with the stated vesting terms after the employee has retired from the entity and, therefore, is no longer providing service to the entity in return for the award. This abstract is to be applied retroactively, with restatement of prior periods, to all stock-based compensation awards accounted for in accordance with Section 3870 in financial statements issued for interim and annual periods ending on or after December 31, 2006. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of EIC 162.

FUTURE ACCOUNTING POLICIES

Financial Instruments – Recognition and Measurement – In January 2005, the Accounting Standards Board (AcSB) of the CICA issued Handbook Section 3855, *Financial Instruments – Recognition and Measurement* which will become effective beginning November 1, 2006. The new accounting standard requires that all financial instruments, including derivatives are to be included on a company's balance sheet and measured at either their fair market value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. The standards also specify when gains and losses as a result of changes in fair values are to be recognized in the income statement. The Corporation has determined that the adoption of Section 3855 will not have a material impact on the financial statements.

Comprehensive Income and Equity – In January 2005, the AcSB of the CICA issued new Handbook Section 1530, *Comprehensive Income* and Section 3251 *Equity* which become effective beginning November 1, 2006. Section 1530 establishes standards for reporting and display of comprehensive income. It defines other comprehensive income to include revenue, expenses, gains and losses that, in accordance with primary sources of GAAP are recognized in comprehensive income, but excluded from net income. The section does not address issues of recognition or measurement for comprehensive income and its components. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530 and recommends that an enterprise should present separately the following components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings and accumulated other comprehensive income, contributed surplus, share capital and reserves. The Corporation has determined that the adoption of Sections 1530 and 3251 will not have a material impact on the financial statements.

Hedges – In January 2005, the AcSB of the CICA issued Handbook Section 3865, *Hedges* which becomes effective November 1, 2006. The new accounting standard extends existing requirements for hedge accounting and comprehensively specifies how hedge accounting can be performed. The Corporation has determined that the adoption of Section 3865 will not have a material impact on the financial statements.

Financial Instruments – disclosures and presentations – In December 2006, the AcSB of the CICA issued Handbook Section 3862, *Financial Instruments – Disclosures,* which modified the disclosure requirements of Section 3861, *Financial Instruments – Disclosures and Presentation* and Section 3863, Financial Instruments – Presentations, which carries forward unchanged the presentation requirements for financial instruments of Section 3861. Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entities financial position and its performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives. It deals with the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset. Sections 3862 and 3863 apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Corporation is currently evaluating the impact of the revised Sections on the consolidated financial statements.

Accounting Changes – In July 2006, the AcSB of the CICA issued new Handbook Section 1506, *Accounting Changes*, effective for annual and interim periods beginning on or after January 1, 2007. This section establishes critera for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies , changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on our financial results of any new primary source of GAAP that has been issued but is not yet effective. The Corporation does not expect a material effect on its financial position and results of operations.

Determining the Variability to be Considered in Applying AcG-15 – In June 2006, the AcSB of the CICA issued Emerging Issues Committee Abstract 163, *Determining the Variability to be Considered in Applying AcG-15* (EIC 163). This EIC deals with situations where an entity enters into arrangements, such as derivative contracts, to reduce or eliminate variability created by certain assets or operations of the entity or mismatches between the overall asset and liability profiles of the entity, thereby protecting certain liability and equity holders from exposure to such variability. This Abstract applies to interim or annual reporting periods beginning on or after January 1, 2007. The Corporation has determined that there is no material impact on the financial statements from the adoption of EIC 163.

TERMINOLOGY

Throughout this 2006 Management's Discussion and Analysis, management refers to certain terms when explaining its financial results that do not have any standardized meaning under Canadian GAAP as set out in the CICA Handbook. Specifically, the terms "contract income margin percentage", "work-in-hand", "working capital", "EBITDA", "book value per share" and "ROE" have been defined as:

Contract income margin percentage is the percentage derived by dividing contract income by contract revenue. Contract income is calculated by deducting all associated direct and indirect costs from contract revenue in the period.

Work-in-hand is the unexecuted portion of work that has been contractually awarded to the Corporation. It includes contracts that have been awarded but not yet commenced construction, as well as an estimate of the revenue to be generated from maintenance contracts during the shorter of (a) twelve months, or (b) the remaining life of the contract.

Working capital is current assets less current liabilities excluding that portion relating to any demand term loan which is scheduled to be repaid beyond one year.

EBITDA is equal to earnings before interest expense, taxes, depreciation and amortization. This measure as reported by the Corporation may not be comparable to similar measures presented by other reporting issuers.

Book value per share is the value of shareholder's equity less value of preferred stock divided by basic shares outstanding at the end of the period.

ROE is a measure of a corporation's profitability that reveals how much profit a company generates with the money shareholders have invested. ROE is calculated as net earnings divided by average shareholders equity during the period.

CRITICAL ACCOUNTING ESTIMATES

Churchill's financial statements include estimates and assumptions made by management in respect of operating results, financial conditions, contingencies, commitments, and related disclosures. Actual results may vary from these estimates. The following are, in the opinion of management, Churchill's most critical accounting estimates, being those that involve the most difficult, subjective and complex judgments, requiring estimates that are inherently uncertain and may change in subsequent periods.

Revenue recognition from cost-plus contracts and fixed-price contracts requires monthly estimates of costs incurred, costs to complete, and the timing of realization. On cost-plus contracts, estimates of costs incurred may be required in advance of being billed for those costs. On fixed-price contracts, revenues are recorded on a percentage-of-completion basis, which requires estimating certain costs incurred as well as the costs required to complete the contract. In making such estimates, judgments are required to evaluate contingencies such as variances in scheduling, material costs, labour costs, labour productivity, subcontractor costs, change orders and liability claims. Revenue recognition estimates may be required in each of Churchill's operating business segments, but would normally be most prevalent in Stuart Olson and Triton where a significant portion of their contract revenue and contract income for the period may be estimated. Changes in estimated costs to complete on fixed-price contracts may have a material impact on the realization of net earnings.

Goodwill impairment incorporates, at a minimum, an annual assessment of the value of Churchill's goodwill by applying a fair value based test to each segment of goodwill. Each fair value test may incorporate estimates such as normalized earnings, future earnings, price earnings multiples, future cash flows, discount rates, and terminal values. The goodwill arose on the purchase of Laird Electric in February, 2003. A significant portion of the valuation of goodwill for Laird is related to future earnings which are estimated and uncertain. Any reduction in these estimates could result in an impairment of goodwill.

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial tax rules and regulations, and judgments as to their interpretation and application to Churchill's specific situation. Income tax provisions are estimated each quarter, updated each year-end to reflect actual differences and the impact of revenue recognition estimates, and then finalized during the preparation of the tax returns. Any changes between the quarterly estimates and the year-end provision, and the final filing position, may impact the income tax expense category, as well as the current and future income tax asset and liability categories.

Accounts receivable collectability may require an assessment and estimation of the creditworthiness of the client, the interpretation of specific contract terms, the strength of Churchill's security, and the timing of collection. An allowance would be provided against any amount estimated to be uncollectible, and reflected as a bad debt expense.

FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis may constitute "forward-looking statements". Although management of Churchill believes its expectations regarding future performance of the Corporation are based on reasonable assumptions and currently available competitive, financial and economic data, market conditions and operating plans, it can give no assurance its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors that might cause the actual results, performance or achievements of the Corporation to vary significantly from any future results, performance or achievements expressed or implied in any forward-looking statements.

Management's Report

The accompanying financial statements and all information in this Annual Report are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgment. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors has approved the information contained in the consolidated financial statements. The Board fulfills its responsibility in this regard mainly through its Audit Committee which has thoroughly reviewed the financial statements, including the notes thereto, with management and the external auditors.

Peter Adams
Chairman of the Board and Interim Chief Executive Officer

Daryl Sands, CA
Vice President Finance and Chief Financial Officer

Auditors' Report

TO THE SHAREHOLDERS OF THE CHURCHILL CORPORATION

We have audited the consolidated balance sheets of The Churchill Corporation as at December 31, 2006 and December 31, 2005 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and 2005 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Edmonton, Alberta
March 2, 2007

Consolidated Balance Sheets

As at December 31, ($ thousands)	2006	2005
ASSETS		
Current Assets		
Cash and equivalents (Note 4)	$ 30,387	$ 29,177
Accounts receivable (Note 5)	83,369	72,417
Inventories and prepaid expenses	1,174	1,724
Cost in excess of billings	620	13,127
Income taxes recoverable	-	3,310
	135,550	119,755
Long-term cash and equivalents (Note 4)	4,000	-
Future income tax assets (Note 13)	631	435
Property and equipment (Note 6)	17,816	15,556
Refundable deposit (Note 2)	-	1,000
Goodwill (Notes 9)	7,315	7,315
Intellectual property (Note 7)	189	-
	$ 165,501	$ 144,061
LIABILITIES		
Current Liabilities		
Line of credit (Note 10)	$ 12,000	$ 7,780
Accounts payable	86,191	81,775
Income taxes payable	1,327	-
Future income tax liability (Note 13)	3,902	3,706
Demand term loan (Note 12)	6,825	7,540
Current portion of long-term debt (Note 11)	917	597
	114,162	101,398
Long-term debt (Note 11)	3,419	2,301
Future income tax liabilities (Note 13)	231	143
	117,812	103,842
Contingencies, Commitments and Guarantees (Notes 16, 17 and 18)		
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	15,508	15,472
Contributed surplus (Note 14)	5,779	5,754
Retained earnings	26,402	18,993
	47,689	40,219
	$ 165,501	$ 144,061

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the board of directors:

Peter Adams
Chairman of the Board and
Interim Chief Executive Officer

Harry King
Director

Consolidated Statements of Earnings

For the years ended December 31, ($ thousands, except per share amounts)	2006	2005
CONSTRUCTION OPERATIONS		
Contract revenue	$ 531,290	$ 479,820
Contract costs	480,129	440,015
Contract Income	51,161	39,805
Interest income	896	250
Sundry income	369	858
Indirect and administrative expenses	(36,123)	(31,735)
Depreciation and amortization	(2,666)	(2,765)
Interest expense	(945)	(991)
Earnings before income taxes	12,692	5,422
Income tax (expense) recovery (Note 13)		
Current income tax	(4,464)	3,321
Future income tax	(88)	(4,949)
	(4,552)	(1,628)
Net earnings	$ 8,140	$ 3,794
Net earnings per Common Share (Note 15)		
Basic	$ 0.46	$ 0.24
Fully diluted	$ 0.45	$ 0.24

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Retained Earnings

For the years ended December 31, ($ thousands)	2006	2005
Retained earnings, beginning of period	$ 18,993	$ 15,199
Net earnings	8,140	3,794
Return of Laird escrowed shares (Note 14)	(731)	-
Retained earnings, end of period	$ 26,402	$ 18,993

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow

For the years ended December 31, ($ thousands)	2006	2005
OPERATING ACTIVITIES		
Net earnings	$ 8,140	$ 3,794
Depreciation and amortization	2,666	2,765
Gain on disposal of equipment	(5)	(13)
Gain on disposal of properties for sale	-	(620)
Future income tax	88	4,949
Stock-based compensation (Note 14)	110	376
	10,999	11,251
Net change in accounts receivable, inventories and prepaid expenses	(10,402)	4,847
Net change in accounts payable	4,416	14,412
Net change in costs in excess of billings	12,507	(31,064)
Net change in income taxes payable/recoverable	7,637	(2,356)
	25,157	(2,910)
INVESTING ACTIVITIES		
Proceeds on disposal of property for sale	-	723
Long-term cash and equivalents	(4,000)	-
Proceeds on disposal of equipment	226	24
Additions to intellectual property	(252)	-
Additions to property and equipment	(3,896)	(2,573)
	(7,922)	(1,826)
FINANCING ACTIVITIES		
Proceeds under line of credit	24,570	7,780
Repayments under line of credit	(20,350)	-
Issuance of short-term debt	-	7,000
Issuance of long-term debt	967	9,011
Repayment of long-term debt	(717)	(9,520)
Repayment of demand term loan	(715)	(260)
Redemption of term deposit	-	4,000
Issuance of common shares	220	4,183
	3,975	22,194
Increase in cash	21,210	17,458
Cash, beginning of period	29,177	11,719
Cash, end of period	$ 50,387	$ 29,177

SUPPLEMENTAL CASH FLOW INFORMATION	2006	2005
Cash paid (received) during the year for:		
Interest expense	$ 957	$ 1,239
Income tax	$ (3,173)	$ (965)

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Churchill Corporation ("the Corporation") provides building construction, heavy industrial general contracting, industrial insulation contracting, industrial electrical and instrumentation contracting and related services within Canada.

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the following subsidiaries, their subsidiaries and limited partnership:

Stuart Olson Construction Ltd. (100%)

Insulation Holdings Inc. (100%)

Triton Construction Inc. (100%)

Triton Projects Limited Partnership (100%)

Laird Electric Inc. (100%)

Churchill Industrial Group Ltd. (100%)

Joint ventures are accounted for on the proportionate consolidation basis, which results in the Corporation recognizing its pro rata share of the assets, liabilities, revenues, and expenses of each of the entities.

VARIABLE INTEREST ENTITIES

Effective January 1, 2005, the Corporation adopted the recommendations of CICA Handbook Accounting Guideline 15 (AcG – 15) *Consolidation of Variable Interest Entities*, effective for annual or interim periods beginning on or after November 1, 2004. Variable Interest Entities refer to those entities that are subject to control on a basis other than ownership of voting interests. AcG – 15 provides guidance for identifying Variable Interest Entities and criteria for determining which entity, if any, should consolidate them. The Corporation determined that it does not hold an interest in a variable interest entity and there was no material impact on the consolidated financial statements from the adoption of AcG – 15.

IMPLICIT VARIABLE INTERESTS

Effective January 1, 2006, the Corporation adopted the Emerging Issues Committee's Abstract 157 Implicit Variable Interests under AcG - 15 (EIC 157) The EIC requires that the Corporation address whether any implicit or potential variable interests exists when specific conditions exist and account for them in accordance with the CICA Handbook Accounting Guideline 15 (AcG – 15) – Consolidation of Variable Interest Entities. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of EIC 157.

NON-MONETARY TRANSACTIONS

Effective January 1, 2006, the Corporation adopted the amended recommendations of CICA Handbook Section 3831 Non-monetary transactions, (formerly Section 3830 of the same title) effective for annual or interim periods beginning on or after January 1, 2006. Section 3831 requires all non-monetary transactions be measured at fair value unless certain conditions are satisfied. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of Section 3831.

STOCK BASED COMPENSATION FOR EMPLOYEES ELIGIBLE TO RETIRE BEFORE THE VESTING DATE

Effective December 31, 2006, the Corporation adopted the Emerging Issues Committee's Abstract 162 *Stock-based compensation for employees eligible to retire before the vesting date* (EIC 162). The EIC establishes guidance where an entity has a stock-based compensation plan that contains provisions that allow an employee to continue vesting in an award in accordance with the stated vesting terms after the employee has retired from the entity and, therefore, is no longer providing service to the entity in return for the award. This abstract is to be applied retroactively, with restatement of prior periods, to all stock-based compensation awards accounted for in accordance with Section 3870 in financial statements issued for interim and annual periods ending on or after December 31, 2006. The Corporation has determined that there is no material impact on the consolidated financial statements from the adoption of EIC 162.

USE OF ESTIMATES

Consolidated financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates. A certain amount of uncertainty is inherent in estimating the cost of completing construction projects, the estimated useful life of equipment and corresponding depreciation rates, the useful life of intellectual property and corresponding amortization rates, allowances for doubtful accounts receivable, future income taxes, provision for legal contingencies, valuation of stock options and the fair value of goodwill, intangible assets and other financial instruments. The impact on the consolidated financial statements of future changes in such estimates could be material.

INVENTORIES

Inventories are recorded at the lower of cost and net realizable value.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using either the diminishing-balance or the straight-line methods over their estimated useful lives at the rates indicated in Note 6.

ASSET IMPAIRMENT

The Corporation tests for the impairment of long-lived assets held for use through a two-step process, with the first step determining when an impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value.

EMPLOYEE FUTURE BENEFITS

The Corporation and its subsidiaries have a Registered Retirement Savings Plan and an Employee Share Purchase Plan. The Corporation contributes to the plans based on the amount of employee contributions. The Corporation accounts for contributions as an expense in the period that they are made (Note 21). The Corporation does not provide post employment or post-retirement benefits.

CONTRACT INCOME

Contract revenue for cost-plus contracts is recorded as the service is performed and the related expenses are incurred. Contract revenue from fixed-price contracts is recognized on the percentage of completion basis. Percentage of completion is determined by relating either the actual cost of work or the actual hours performed to date, to the current estimated total cost or estimated total hours for each contract. Any projected loss is recognized immediately.

INCOME TAXES

The Corporation uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent it is more likely than not such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

EARNINGS PER SHARE

Fully diluted earnings per share is computed using the treasury stock method, whereby it is assumed that any proceeds obtained upon the exercise of outstanding options would be used to buy back Common Shares at the average market price during the period.

STOCK-BASED COMPENSATION PLAN

The Corporation utilizes the fair value based method of accounting for stock options which were granted to employees on or after January 1, 2002. Under this method, the estimated fair value of the stock options granted is recognized over the applicable vesting period as a charge to stock compensation expense and a credit to contributed surplus. When these options are exercised, the proceeds received and the related amounts of contributed surplus are credited to share capital. For options granted prior to January 1, 2002, the Corporation continues to follow the applicable generally accepted accounting principle under which no expense is recognized; when these options are exercised, the proceeds are a credit to share capital.

The Corporation has one stock option plan as described in Note 14.

CASH AND EQUIVALENTS

For the purposes of presentation, on the Consolidated Statements of Cash Flow, cash and equivalents are comprised of bank balances and short term investments with original terms to maturity of less than 90 days.

INTANGIBLE ASSETS AND GOODWILL

The Corporation records intangible assets with indefinite lives and goodwill at cost. The Corporation tests its goodwill and intangible assets with infinite lives for impairment on an annual basis, or more frequently if events and changes in circumstances indicate that the asset might be impaired. Consistent with current industry-specific valuation methods and recommendations for assessment, the Corporation uses a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units. The Corporation has selected December as its annual test time.

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

Effective January 1, 2005, the Corporation adopted the amended recommendations of CICA Handbook Section 3860, *Financial Instruments – Disclosure and Presentation* effective for annual or interim periods beginning on or after November 1, 2004. Section 3860 requires that certain obligations that may be settled at the issuer's option in cash or the equivalent value by a variable number of the issuer's own equity instruments be presented as a liability. The Corporation determined there is no impact on these consolidated financial statements from the adoption of amendments to Section 3860.

GUARANTEES

The Corporation discloses the nature, amount and term of obligations under guarantee and has provided additional disclosure in Note 18.

2. ACQUISITION OF SUBSIDIARY ($ thousands)

On February 7, 2003, the Corporation acquired all of the issued and outstanding shares of Laird Electric Inc. (Laird) for $9,743 plus a refundable deposit of $1,000. The $10,743 payment was comprised of $8,520 plus the issuance from treasury of 826,412 Common Shares of the Corporation valued at $2,223.

The refundable deposit of $1,000 was recoverable in the event that Laird did not achieve a cumulative financial performance objective by December 31, 2005. The potential refund was secured by shares of the Corporation held in escrow without further recourse. Under the escrow agreement, the vendors were required to maintain $1,000 in escrow either through shares or equivalent cash if shares were released.

In 2006, the shares were returned from escrow for cancellation to satisfy the refundable deposit since the specified cumulative performance measures were not met (Note 14).

3. JOINT VENTURES

The Corporation and its subsidiaries are partners in incorporated and unincorporated joint ventures. These consolidated financial statements include the proportionate share of assets, liabilities, revenue, expenses, net income and cash flow of these joint ventures as follows:

($ thousands)	2006	2005
Current and total assets	$ 2,367	$ 220
Current and total liabilities	2,431	277
Contract revenue	1,783	5,619
Contract costs and expenses	1,789	5,456
Net (loss) earnings	(7)	162
Cash flow provided by operating activities	564	107

4. CASH ($ thousands)

Included in cash and equivalents balance of $50,387 (2005 - $29,177) is $10,654 (2005 - $9,857) which is restricted under the British Columbia Lien Act and relates to the payment of current liabilities related to specific construction projects. Cash balances of $762 (2005 - $119) are in joint venture accounts. $4,000 has been classified as long-term as it is restricted in use.

5. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of:

($ thousands)	2006	2005
Trades receivable	$ 54,833	$ 49,385
Holdback	24,453	20,290
Other	4,083	2,742
	$ 83,369	$ 72,417

6. PROPERTY AND EQUIPMENT

($ thousands)	2006			2005	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Depreciation Rates
Land	$ 1,599	$ -	$ 1,599	$ 1,599	-
Buildings and improvements	11,840	3,119	8,721	7,862	4% - 30%
Vehicles and equipment	25,456	17,960	7,496	6,095	6% - 100%
	$ 38,895	$ 21,079	$ 17,816	$ 15,556	

Depreciation for the year amounted to $2,603 (2005 - $2,534).

7. INTELLECTUAL PROPERTY

($ thousands)	2006	2005
Cost	$ 252	$ -
Accumulated amortization	63	-
Net Book Value	$ 189	$ -

The intangible assets relate to intellectual property resulting from the design and implementation of processes related to the Corporation's computer system. The intangible assets will be amortized straight line over 3 years.

8. INTANGIBLE ASSETS

($ thousands)	2006	2005
Cost	$ -	$ 1,000
Accumulated amortization	-	1,000
Net Book Value	$ -	$ -

The intangible assets relate to employment contracts which arose on the acquisition of Laird and were amortized over the term of the related contracts on a straight-line basis. Amortization for the year of $0 (2005 - $231) was recorded.

9. GOODWILL

($ thousands)	2006	2005
Goodwill	$ 7,315	$ 7,315

The goodwill arose on the acquisition of Laird (Note 2).

10. LINES OF CREDIT ($ thousands)

The bank indebtedness is comprised of an operating line of credit with a maximum availability of $21,000 (2005- $12,000). The line of credit bears interest at prime plus 1.0%. The total amount ultimately available under this facility is subject to limits based on certain financial ratios. In addition, availability of the operating line is subject to default provisions of the Corporation's credit facilities' debt covenants (Note 12).

In contemplation of a pending private placement, on April 25, 2005, the Corporation received short-term funding of $7,000 at 9%, repayable on July 31, 2005. Upon shareholder approval, the balance of the $7,000 loan outstanding was converted to Common Shares at $2.00 per share which represented market value of the shares at the date the agreement was entered (Note 14). The conversion of the loan was treated as a non-cash item for the purposes of the consolidated statements of net cash flow.

11. LONG-TERM DEBT

($ thousands)	2006	2005
Mortgage payable	$ 1,226	$ 1,260
Finance contracts and capital leases	3,110	1,638
	4,336	2,898
Less current portion	(917)	(597)
	$ 3,419	$ 2,301

The mortgage payable bears interest at 6.47%, is repayable in blended monthly payments of $10, matures in November 2009, and is secured by land and buildings with a net book value of $2,199 and a site specific General Security Agreement.

Finance contracts and certain capital leases bear a weighted average interest rate of 2.4%, are payable in blended monthly payments of $63, mature at various dates up to 2011, and are secured by vehicles and equipment with a net book value of $1,810.

The Corporation has added a leasing facility with a borrowing limit of up to $3,000 to assist the Corporation with the purchase of capital assets. The leasing facility bears interest at the three year GIC rate plus 3.25%, is repayable in blended monthly payments of $22, and is secured by vehicles and equipment with a net book value of $1,192. As at December 31, 2006, the Corporation has utilized $1,347 of the leasing facility. Of this utilized portion $1,188 has been treated as a non-cash item in the Consolidated Statements of Cash Flow.

Interest expense on long-term debt during the twelve months ended December 31, 2006 was $167 (2005 - $589).

Estimated principal payments in the next five years are:

Scheduled Repayment ($ thousands)	
2007	$ 917
2008	854
2009	657
2010	443
2011	447
Thereafter	1,018

12. DEMAND TERM LOAN ($ thousands)

The Corporation's demand term loan has certain demand features. As a result, $5,980 of the demand term loan, which is scheduled to be repaid beyond 12 months, has been classified as a current liability on the balance sheet. The Corporation's bank has acknowledged that the $5,980 will not be considered a current liability for the purpose of calculating debt covenants.

The demand term loan bears interest at prime plus 1.25%, is repayable in monthly payments of $65, matures in August 2011, and is secured by a mortgage on the modular fabrication facility, mortgages on two of the Corporation's properties, various general security agreements and unlimited guarantees from the Corporation and its wholly owned subsidiaries. The net book value of the land and buildings at December 31, 2006 is $6,940.

The demand term loan, and the line of credit (Note 10) are subject to certain debt covenants calculated on a quarterly basis. At December 31, 2006, the Corporation was in compliance with its debt covenants.

For the year ended December 31, 2006, interest expense on the demand term loan was $507 (2005 - $148).

13. INCOME TAXES

The Corporation's tax expense differs from the provision computed at statutory rates as follows:

($ thousands)	2006	2005
Net earnings before income taxes	$ 12,692	$ 5,422
Non-deductible expenses	598	551
Earnings subject to tax	$ 13,290	$ 5,973
Income tax at statutory rate of 32.49% (2005 - 33.62%) of taxable income	$ 4,318	$ 2,008
Valuation allowance on non-capital loss carryforwards	266	-
Effect of change in tax rates for future income tax and tax recovery	(200)	(119)
Other	168	(261)
Income tax expense	$ 4,552	$ 1,628

The components of the future income tax assets and liabilities are as follows:

($ thousands)	2006	2005
Tax loss carryforwards	$ 1,895	$ 3,834
Valuation allowance on non-capital loss carryforwards	(266)	-
Equipment and other assets	78	165
Unbilled work-in-progress and holdback receivable	(5,655)	(7,551)
Other	446	138
	$ (3,502)	$ (3,414)
Classified as:		
Long-term asset	$ 631	$ 435
Current liability	(3,902)	(3,706)
Long-term liability	(231)	(143)
	$ (3,502)	$ (3,414)

The Corporation has accumulated net capital losses for income tax purposes of $7,172 which may be carried forward indefinitely to reduce future capital gains. The value of these losses has not been recognized in these consolidated financial statements.

The Corporation has accumulated non-capital losses for income tax purposes of $5,841 which expire as follows:

2008	154
2009	7
2010	117
2014	1,089
2015	912
2026	3,562

14. SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized

Unlimited Preferred Shares issuable in series with rights set by the directors
Unlimited Common Shares

Issued	2006		2005	
($ thousands, except share and per share amounts)	Shares	Share Capital	Shares	Share Capital
Common Shares:				
Issued, beginning of year	17,895,686	$ 15,472	12,238,352	$ 4,289
New shares issued	-	-	5,323,000	$ 10,646
Shares cancelled	(311,528)	(269)	-	-
Stock options exercised	83,333	305	334,334	537
Issued, end of year	17,667,491	$ 15,508	17,895,686	$ 15,472

PRIVATE PLACEMENT

On May 13, 2005, the shareholders issued 5,323,000 Common Shares pursuant to two private placement agreements for total proceeds of $10,646. The agreements are with two parties for $3,646 and $7,000 (Note 10) respectively.

CONTRIBUTED SURPLUS

Contributed surplus is comprised of $5,128 which arose in 1997 from the acquisition of Preferred Shares, with an issue price of $9,829, for $4,142 plus associated acquisition costs of $559 and $651 (2005 - $626) arising from cumulative compensation cost of options to acquire common shares of the Corporation issued since January 1, 2002. Current year activity includes an increase of $110 in compensation costs of options to acquire common shares with a decrease in compensation expense due to a reclassification of $85 to common shares as a result of the exercise of certain stock options.

SHARE-BASED COMPENSATION PLAN

The Corporation maintains an Employees and Directors Share Option Plan under which options may be granted by the Board of Directors for Common Shares of the Corporation. As at December 31, 2006, the maximum number of options available for issue under this plan is 545,082 (2005 – 86,666). The exercise price of each option can not be lower than the public market price on the date the options are granted. The Board of Directors sets the exercise period for each option granted, which may not exceed ten years, and the vesting term, which may not exceed five years.

LAIRD ELECTRIC RETURN OF SHARES

Under the Laird purchase agreement, 311,528 shares with a stated value of $269 were issued from treasury and placed in escrow to support a refundable deposit of $1,000 (Note 2). If Laird did not achieve specified cumulative performance measures by December 31, 2005, the deposit was due to be refunded to Churchill by April 30, 2006. During the year ended December 31, 2006, the shares were returned from escrow for cancellation to satisfy the refundable deposit with a difference of $731 being charged to retained earnings.

A summary of the Corporation's outstanding share options under the Employee and Directors Share Option Plan at December 31, 2006 and 2005, indicating changes during the years ended on those dates is presented below:

($ thousands, except share and per share amounts)	2006		2005	
	Number of Share Option	Weighted Average Exercise Price	Number of Share Option	Weighted Average Exercise Price
Outstanding, beginning of year	605,000	$ 2.91	564,334	$ 2.35
Granted	50,000	3.05	475,000	2.86
Cancelled	-	-	(100,000)	3.84
Exercised	(83,333)	2.64	(334,334)	1.61
Outstanding, end of year	571,667	$ 2.96	605,000	$ 2.91

The following table summarizes information about share options outstanding under the Plan at December 31, 2006:

Exercise Price	Expiry Date	Options Outstanding Dec. 31, 2006	Options Exercisable Dec. 31, 2006
$ 3.84	Aug. 9, 2007	25,000	25,000
2.95	Oct. 7, 2007	105,000	105,000
2.40	May 10, 2010	66,667	-
2.55	June 14, 2010	50,000	16,666
2.80	Sept. 14, 2010	50,000	-
3.15	Nov. 30, 2010	225,000	225,000
3.05	Jan. 4, 2011	50,000	25,000
		571,667	396,666

The fair value of each option granted by the Corporation was estimated using the Black-Scholes option-pricing model and assuming no dividends are paid on common shares, weighted average risk-free interest rate of 3.59% (2005 – 3.56%), an average life of 3.7 years (2005 – 3.7 years), and a weighted average volatility of 46.04% (2005 – 46.05%). The amounts computed, according to the Black-Scholes pricing model, may not be indicative of the actual values realized upon the exercise of these options by the holders.

SHAREHOLDER RIGHTS PLAN

The Corporation has an Amended and Restated Shareholder Rights Plan (the "Plan") which attaches one Right, with an Exercise Price of $20.00, to each outstanding Common Share of the Corporation. The Rights expire on September 30, 2007 unless exchanged or redeemed on an earlier date. Such Rights can only be exercised on the occurrence of a triggering event, which is defined as a person (an "Acquiring Person") acquiring, or publicly announcing its intention to acquire, 20% or more of the Common Shares, other than by an acquisition pursuant to a takeover bid permitted by the Plan. Upon occurrence of a triggering event, as described above, each Right entitles the holder, other than an Acquiring Person, to purchase that number of Common Shares of the Corporation having an aggregate market price equal to twice the Exercise Price, for a cash amount equal to the Exercise Price.

15. NET EARNINGS PER COMMON SHARE

Basic earnings per share is computed on the basis of the weighted average number of Common Shares outstanding. Fully diluted earnings per share is computed on the basis of the weighted average number of Common Shares outstanding plus the effect of outstanding stock options using the treasury stock method.

The components of basic and fully diluted earnings per share are as follows:

Net earnings ($ thousands, except share and per share amounts)	2006	2005
	$ 8,140	$ 3,794
Weighted average number of common shares outstanding	17,746,020	15,739,334
Incremental number of shares under treasury stock method	214,616	115,971
	17,960,636	15,855,305
Net earnings per Common Share:		
Basic	$ 0.46	$ 0.24
Fully diluted	$ 0.45	$ 0.24

16. CONTINGENCIES

a) Subsidiaries of the Corporation are contingently liable for normal contractor obligations relating to performance and completion of construction contracts as well as obligations of associates in certain joint ventures.

b) The Corporation and its subsidiaries are defendants in lawsuits arising in the normal course of operations and involving various amounts. Management is of the opinion that the results of these actions should not have any material effect on the financial position of the Corporation. Any awards or settlements will be reflected in the Statement of Earnings as the matters are resolved.

17. COMMITMENTS

The Corporation and its subsidiaries lease certain equipment, vehicles, office premises, and are also committed to future annual payments in respect of a service agreement. Future minimum lease payments over the next five years are:

($ thousands)	
2007	1,489
2008	1,174
2009	950
2010	700
2011	407

18. GUARANTEES ($ thousands)

The Corporation is a partner in joint ventures (Note 3) for which it has provided a joint and several guarantee, increasing the maximum potential payment to the full value of the work remaining under the contract. The cost of completing the contracts cannot reasonably be determined, and may be greater or less than the unbilled portion of the contracts.

The Corporation has entered into a joint and several guarantee under the representations and warranties given as a part of a transaction whereby the Corporation's equity investment sold the majority of its assets to a third party in 2003. The Corporation also agreed to have $189 of its proceeds placed into an escrow account until February, 2008 to provide against product warranty claims and claims under the representations and warranties. There is no maximum potential payment under the guarantee. The Corporation has not recorded the escrow amounts as an asset as at December 31, 2006.

The Corporation indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Corporation and maintains liability insurance for its directors and officers as well as the directors and officers of its subsidiaries.

19. RELATED PARTY TRANSACTIONS ($ thousands)

The Corporation incurred rental costs of $21 (2005 - $24) related to market rental payments for housing provided to a senior officer who maintained offices in both Calgary and Edmonton. At December 31, 2006, $0 (2005 - $0) is included in accounts payable.

The Corporation incurred legal fees of $246 (2005 - $183) for services related to various legal matters with a law firm for which a director of the Corporation is also a partner of the firm. At December 31, 2006, $32 (2005 - $15) is included in accounts payable.

The Corporation incurred facility costs of $120 (2005 - $60) relating to rental of a building which is owned by a director of the Corporation. At December 31, 2006, $0 (2005 - $0) is included in accounts payable.

The Corporation incurred fees of $3 (2005 - $14) paid to a company under the control of a director of the Corporation. At December 31, 2006, $0 (2005 - $14) is included in accounts payable.

Related party transaction costs were incurred in the ordinary course of business where normal trade terms apply.

20. SEGMENTED INFORMATION

The Corporation operates as a construction and maintenance services provider, primarily in western Canada. The Corporation is managed using five business segments: Buildings, Industrial General Contracting, Industrial Insulation Contracting, Industrial Electrical Contracting, and Corporate and Other.

Buildings is active in the construction of commercial, institutional, light-industrial and multi-unit residential buildings.

Industrial General Contracting includes heavy industrial general contracting, fabrication, site work and ongoing maintenance.

Industrial Insulation Contracting includes all insulation, siding, fireproofing, asbestos abatement and plant maintenance services including, in certain instances, services provided to our industrial general contracting and industrial electrical contracting companies.

Industrial Electrical Contracting includes industrial electrical, instrumentation and power line construction and maintenance services including, in certain instances, services provided to our industrial general contracting companies.

Corporate and Other includes the Corporation's non-core investments as well as all corporate costs not allocated directly to another business segment.

The accounting policies of the reportable segments are the same as those described in Note 1. The segmented information provided is after the elimination of inter-segment management fees and loan balances and any related interest charges.

Year Ended December 31, 2006 ($ thousands)	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 291,159	$ 8,729	$ 608	$ -	$ 72,157	$ 2,809
Industrial General Contracting	52,396	(2,405)	606	-	16,804	528
Industrial Insulation Contracting	77,674	5,421	315	-	21,845	159
Industrial Electrical Contracting	110,134	4,407	646	7,315	38,261	1,031
Corporate and Other	-	(3,455)	491	-	16,434	557
Inter-segment Adjustments	(73)	(5)	-	-	-	-
	$ 531,290	$ 12,692	$ 2,666	$ 7,315	$ 165,501	$ 5,084

As Reported Year Ended December 31, 2005 ($ thousands)	Contract Revenue	Earnings (Loss) Before Tax	Depreciation & Amortization	Goodwill	Total Assets	Capital Expenditures
Buildings	$ 227,481	$ 4,360	$ 581	$ -	$ 45,713	$ 496
Industrial General Contracting	100,670	(800)	693	-	32,271	347
Industrial Insulation Contracting	74,634	2,734	400	-	29,967	121
Industrial Electrical Contracting	79,827	2,657	709	7,315	27,361	1,365
Corporate and Other	-	(3,546)	382	-	8,749	244
Inter-segment Adjustments	(2,792)	17	-	-	-	-
	$ 479,820	$ 5,422	$ 2,765	$ 7,315	$ 144,061	$ 2,573

For the purposes of presentation, capital expenditures of $1,188 relating to capital leases from the leasing facility has been treated as a non-cash item and as such has not been reflected on the Consolidated Statements of Cash Flow (Note 11).

In 2005, the Corporation had $72,631 of revenue from one significant customer which represented greater than 10% of contract revenue. This revenue was earned in the Industrial Electrical Contracting and Industrial Insulation Contracting segments. In 2006, revenue from a single customer was not in excess of 10% of contract revenue.

A significant portion of the Industrial General Contracting, Industrial Insulation Contracting and Industrial Electrical Contracting segments contract revenue is derived from customers which operate directly or indirectly in the energy supply industry. Fluctuations in energy prices may impact future revenue derived from these customers. The Corporation does not actively manage this risk.

21. EMPLOYEE CONTRIBUTION PLANS ($ thousands)

The Corporation and its subsidiaries have a Registered Retirement Savings Plan and an Employee Share Purchase Plan whereby they match voluntary contributions made by employees to a maximum of 5% of base salary for each plan. Contributions made by the Corporation during the year to the plans were $2,384 (2005 - $1,832).

22. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of receivables and other like amounts that will result in future cash receipts, as well as accounts payable, short-term borrowings, and any other amounts that will result in future cash outlays.

RISK MANAGEMENT

The financial risk is the risk to the Corporation's earnings that arises from fluctuations in the interest rates and foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to interest rate risk on its floating rate operating line and its demand term loan as disclosed in Notes 10 and 12. The Corporation does not use derivative instruments to reduce its exposure to this risk. The Corporation is not currently exposed to any direct foreign currency risk.

CREDIT RISK

The Corporation is exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographic centers. The Corporation performs an assessment of its potential customers as part of its work procurement process, including an evaluation of financial capacity. The Corporation maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

FAIR VALUE OF FINANCIAL INSTRUMENTS

As at December 31, 2006, the carrying value of financial instruments of the Corporation approximates their fair values.

23. COMPARATIVE FIGURES

Certain of the comparative figures have been adjusted to be consistent with the current year's presentation.

EXECUTIVE PROFILES

PETER F. ADAMS, PH.D., P.ENG.

Interim Chief Executive Officer

- Director of Churchill since 1993
- Previously, President and Managing Director of Canadian Petroleum Institute
- Previously, Dean of Engineering at The University of Alberta

DARYL E. SANDS, B.COMM., CA

Vice President Finance and Chief Financial Officer

- Joined Churchill in 2005
- Previously, Partner and Senior Vice President of PricewaterhouseCoopers
- Extensive background in corporate finance and business regeneration

ALLEN W. STOWKOWY, B.SC., P.ENG.

President, Stuart Olson Construction Ltd.

- Joined Stuart Olson in 1985
- Progressed through positions in operations and general management to become Senior Vice President in 1997, and President and Chief Operating Officer in 2002

RONALD L. MARTINEAU

President, Insulation Holdings Inc.

- Journeyman insulator
- Joined Fuller Austin in 1971
- Progressed through positions in operations and general management, including President Northern Industrial Insulation Contractors, to President and Chief Operating Officer of Insulation Holdings in 2001

BLAIR BANNERHOLT

President, Laird Electric Inc.

- Employed by Laird from 1993 to 2000, rejoined the company in 2004 as Operations Manager
- Former Construction Coordinator with Suncor Energy Inc.
- Over 10 years of project management and branch management experience
- Appointed President and Chief Operating Officer of Laird, May 2006

KELLY R. SMITH, B.SC., P.ENG.

President, Triton Construction Inc.

- Appointed President and Chief Operating Officer of Triton July 2006
- 30 years of experience in the oil and gas service industry
- Former President and General Manager of a successful manufacturing and service company

DIRECTOR PROFILES

PETER F. ADAMS, PH.D., P.ENG. [1,2,3]

Edmonton, AB

- Retired President and Managing Director of Canadian Petroleum Institute

BRIAN W.L. TOD, B.A., LL.B., Q.C. [2]

Edmonton, AB

- Senior Partner, Miller Thomson LLP

STANTON K. HOOPER, C.E.T. [3]

Edmonton, AB

- President, Stanton Developments Ltd.

HARRY A. KING, B.A., CA [1]

Vancouver, BC

- President and Director, Harking Investments Ltd.

KIM MCINNES, B.A., M.U.D. [2]

Toronto, ON

- Executive Vice President and Chief Operating Officer, Ivanhoe Cambridge

H.R. (HANK) REID, MBA, P.ENG. [1]

Gabriola Island, BC

- Retired President & Chief Executive Officer, The Churchill Corporation

GEORGE M. SCHNEIDER [2]

Sundre, AB

- Past President, Laird Electric Inc.
- President, Schneider Investments Inc.

WINSTON D. STOTHERT, M.A.SC., P.ENG. [3]

Vancouver, BC

- Chairman, Stothert Power Corporation

[1] Member, Audit Committee

[2] Member, Human Resources and Compensation Committee

[3] Member, Corporate Governance, Nominating and Risk Management Committee

CORPORATE DIRECTORY

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Fax: (780) 452-4129

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Fax: (403) 230-5323

AUDITORS

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Chartered Accountants

LEGAL COUNSEL

Miller Thomson LLP
Davis & Company

PRINCIPAL BANK

HSBC Bank Canada

BONDING AND INSURANCE

Aviva Insurance Company of Canada
AXA Pacific Insurance Company
Aon Reed Stenhouse Inc.

REGISTRAR AND TRANSFER AGENTS

Inquiries regarding change of address, registered shareholdings, share transfers, duplicate mailings and lost certificates should be directed to:

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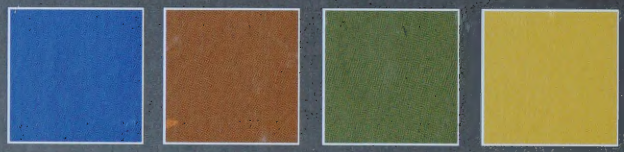

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